

Register

HATCHER & SONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998



REGISTERED NUMBER: 56710

HATCHER & SONS LIMITED

Directors

Adrian Michael Hill (Managing Director)
Robert Clive Raisey FCCA (Financial Director)
Mark Raisey

Secretary

Robert Clive Raisey FCCA

Registered Office

11 High Street
Taunton
Somerset
TA1 3PQ

Bankers

The Royal Bank of Scotland Plc
7 Fore Street
Taunton
Somerset
TA1 1HT

Auditors

Albert Goodman
Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

HATCHER & SONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

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HATCHER & SONS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 101st Annual General Meeting of the Members of Hatcher & Sons Limited will be held at 9-13 High Street, Taunton, on 2 June 1999 at 9.00am, to transact the following business:

- 1 To adopt the Directors' Report and Annual Financial Statements for the year ended 31 October 1998.
- 2 To re-elect a Director.
- 3 To re-elect Albert Goodman as Auditors for the ensuing year.
- 4 To authorise the Directors to fix the remuneration of the auditors.
- 5 To transact any other ordinary business.

By Order of the Board

R C Raisey
Secretary

Note

A member entitled to attend and vote at a meeting may appoint one or more proxies to attend and on a poll vote in their stead. To be valid proxies must be lodged with the Secretary forty eight hours before the commencement of the meeting. A proxy need not be a member of the Company.

HATCHER & SONS LIMITED
CHAIRMAN'S STATEMENT

I have to report that the year's results are affected by a provision of £209383 against the closure of our subsidiary company Sovereign TV Limited. This occurred on 13 April 1999, and in accordance with the Companies Act requirements, full account has been taken of this post balance sheet event. Trading in the electrical field was extremely difficult in 1998 and this, together with increasing shop rents, led your board to the conclusion that it was right to wind up Sovereign TV Limited.

The net trading profit before this provision was £33632. In the early part of the year there was a shift of the central trading position in Taunton. This has adversely affected our sales. These circumstances, together with the present economic uncertainty, will mean that it is unlikely that we will experience any significant improvement in the immediate future. In the meantime, we have taken action to reduce stocks, wages and other controllable expenses.



R C Raisey
Chairman

HATCHER & SONS LIMITED
DIRECTORS' REPORT

The Directors present their Report together with the Financial Statements for the year ended 31 October 1998.

Principal Activity

The principal activity of the Company during the year has been that of operating a department store.

The principal activity of the Company's subsidiary undertaking, Sovereign TV Limited, has been that of operating electrical goods stores.

Review of Development

The Directors consider that the result for the year is satisfactory taking into account the non recurring exceptional loss referred to at Note 7.

The Company's wholly owned subsidiary Sovereign TV Limited ceased to trade in April 1999 and the effects of that cessation and the losses up to the cessation of trading have been fully reflected in the Hatcher and Sons Limited Financial Statements to 31 October 1998. The Directors consider the financial position of the Company to be satisfactory.

The summary results for the year are as follows:

	£
Net Loss After Taxation	(171250)
Dividends Paid	(865)
	<hr/>
Transferred to Reserves	(172115)
	<hr/>

The Directors do not recommend the payment of an ordinary dividend.

Post Balance Sheet Events

Since the 31 October 1998 the Company's subsidiary undertaking, Sovereign TV Limited has gone into liquidation.

Two of the Company's subsidiary undertaking's leases have been assigned to the Company and the two shops have continued to trade through Hatcher & Sons Limited.

Year 2000

As discussed in the media, many computers and microchips only recognise dates using the last two digits of the year and therefore need to be modified or replaced to record the year 2000. Our business depends upon a computerised accounting system to prepare the Financial Statements and record the transactions. In addition, we could be affected by the systems used by our suppliers and customers.

The Directors have assessed the risks to our business resulting from the change to the year 2000 and have taken steps to ensure the Company's computer equipment is assessed to be year 2000 compliant.

Other areas of the business likely to be affected have also been assessed and we do not anticipate that any significant costs will be incurred in becoming year 2000 compliant.

It is impossible to guarantee that no year 2000 problems will remain. However, the Directors feel that the Company will be able to deal promptly with any failures that occur.

Freehold Property

It is the opinion of the Directors that the existing use at open market value of the freehold property is £1,800,000. The book value of the freehold property is £663,977.

If the property were to be sold at this existing open market value there would be no immediate tax liability on the subsequent gain.

HATCHER & SONS LIMITED
DIRECTORS' REPORT

Directors and their Interests

The Directors of the Company during the accounting year were:

R C Raisey
A M Hill
M Raisey

Mr M Raisey is the retiring Director and, being eligible, offers himself for re-election.

The Directors of the Company do not own shares in Hatcher & Sons Limited except for the holding required by the Company's Articles for each Director, which are held on trust as nominee of the Parent Undertaking.

The interests of R C Raisey and A M Hill in the shares of the Parent Undertaking, of which they are also Directors, are disclosed in the Financial Statements of that Company.

Auditors

A resolution to re-appoint Albert Goodman as Auditors to the Company will be put to the Annual General Meeting.

By Order of the Board



R C Raisey
Secretary

HATCHER & SONS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements, the Directors are required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
HATCHER & SONS LIMITED**

We have audited the Financial Statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors

As described on page 4 the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 October 1998 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Mary Street House
Mary Street
Taunton

5 May 1999



Albert Goodman
Chartered Accountants
and Registered Auditors

HATCHER & SONS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Turnover	1	3397268	3436481
Change in Stocks of			
Finished Goods for Resale		(111094)	(134939)
Goods Purchased for Resale		(2121746)	(2053419)
Other External Costs	2	(384334)	(487337)
Staff Costs	3	(662307)	(601805)
Depreciation		(95825)	(89655)
		<u>(3375306)</u>	<u>(3367155)</u>
Operating Profit		21962	69326
Rents Receivable		28500	28500
Interest Receivable	5	1947	2392
Dividend Receivable		-	1722
Interest Payable	6	(38480)	(34161)
Share of Loss of Subsidiary Undertaking		-	(5435)
Exceptional Item	7	(189680)	136959
		<u>(197713)</u>	<u>129977</u>
(Loss)/Profit on Ordinary Activities Before Taxation		(175751)	199303
Taxation on (Loss)/Profit on Ordinary Activities	8	4501	(11778)
(Loss)/Profit on Ordinary Activities After Taxation		<u>(171250)</u>	<u>187525</u>
Dividends Paid	9	(865)	(865)
Retained (Loss)/Profit for the Year	19	<u><u>(172115)</u></u>	<u><u>186660</u></u>

There are no gains or losses other than the loss for the year.

There were no acquisitions or discontinued operations during the current year or preceding year.

HATCHER & SONS LIMITED
BALANCE SHEET
AS AT 31 OCTOBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Fixed Assets			
Tangible Assets	10	1131767	1144479
Investments	11	8320	8320
		<hr/> 1140087	<hr/> 1152799
Current Assets			
Stocks	13	1284622	1398048
Debtors	14	301661	506480
Cash at Bank and in Hand		2257	1810
		<hr/> 1588540	<hr/> 1906338
Creditors			
Amounts falling Due Within One Year	15	(1369251)	(1524626)
		<hr/>	<hr/>
Net Current Assets		219289	381712
		<hr/>	<hr/>
Total Assets Less Current Liabilities		1359376	1534511
		<hr/>	<hr/>
Creditors			
Amounts Falling Due After More Than One Year	16	(71750)	(49750)
Provisions for Liabilities and Charges	17	-	(25020)
		<hr/>	<hr/>
		(71750)	(74770)
		<hr/>	<hr/>
		1287626	1459741
		<hr/>	<hr/>
Capital and Reserves			
Called Up Share Capital	18	139567	139567
Share Premium Account	19	20381	20381
Profit and Loss Account	19	1127678	1299793
		<hr/>	<hr/>
Shareholders' Funds	19	1287626	1459741
		<hr/>	<hr/>

The Financial Statements were approved by the Board of Directors on 4 May 1999


A M Hill

Directors


R C Raisey

HATCHER & SONS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Net Cash Inflow from Operating Activities	A	4431	118014
Returns on Investment and Servicing of Finance			
Interest Received	1947	2392	
Dividends Received	-	1722	
Interest Paid	(38480)	(34161)	
Preference Dividends Paid	(865)	(865)	
		(37398)	(30912)
Taxation Paid		(16117)	(16788)
Capital Expenditure and Financial Investment			
Payments to Acquire Tangible Fixed Assets	(108285)	(310601)	
Cash Proceeds from Sale of Tangible Fixed Assets	19402	185597	
Payments to Acquire Trade Investments	-	(1390)	
Proceeds from Sale of Shares	-	1344	
		(88883)	(125050)
Cash Outflow Before Financing		(137967)	(54736)
Financing			
Repayment of Other Loans	(12000)	(5250)	
Repayment of Bank Loan	(15878)	(16816)	
Repayment of Mortgage	(14000)	(14000)	
Loan Advanced	60000	50000	
		18122	13934
Decrease in Cash		(119845)	(40802)

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT (NOTE B)

	<u>1998</u> £	<u>1997</u> £
Decrease in Cash	(119845)	(40802)
Cash Inflow from Increase in Debt	(18122)	(13934)
Change in Net Debt	(137967)	(54736)
Net Debt at 1 November 1997	(785999)	(731263)
Net Debt at 31 October 1998	(923966)	(785999)

HATCHER & SONS LIMITED
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 1998

A Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	<u>1998</u>	<u>1997</u>
	£	£
Operating Profit	21962	69326
Rents Receivable	28500	28500
Depreciation	95825	89655
Loss/(Profit) on Disposal of Assets	5770	(2735)
Profit on Sale of Shares	-	(1344)
Decrease in Stock	113426	134823
Increase in Debtors	(4046)	(66515)
Decrease in Creditors	(257006)	(133696)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	4431	118014
	<hr/>	<hr/>

B Analysis of Changes in Net Debt

	<u>At</u>	<u>Cash</u>	<u>Non</u>	<u>At</u>
	<u>01.11.97</u>	<u>Flows</u>	<u>Cash</u>	<u>31.10.98</u>
	£	£	£	£
Cash in Hand	1810	447	-	2257
Bank Overdraft	(699181)	(120292)	-	(819473)
	<hr/>	<hr/>	<hr/>	<hr/>
	(697371)	(119845)	-	(817216)
Debt Due Within 1 Year	(38878)	26878	(23000)	(35000)
Debt Due After 1 Year	(49750)	(45000)	23000	(71750)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(785999)	(137967)	-	(923966)
	<hr/>	<hr/>	<hr/>	<hr/>

C Significant Non Cash Transactions

A provision of £209383 has been made against the amount owed by the subsidiary undertaking and debtors have therefore been reduced accordingly.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

1 Accounting Policies

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting and Reporting Standards. The principal accounting policies of the Company are set out below.

Turnover

Turnover is the total amount receivable by the Company in the ordinary course of business for goods supplied and services provided in the UK, net of VAT.

Group Accounts

These Financial Statements present information about the Company as an individual undertaking and not about its group. Group Financial Statements are not prepared as the Directors have taken advantage of the exemption from preparing Group Financial Statements under s248 of the Companies Act 1985, as the Group is considered to be a medium sized group under the terms of that Act.

Depreciation

Depreciation is provided to write off the cost of fixed assets over their estimated useful economic lives as follows:

Freehold Property	Nil (See Below)
Leasehold Property	Straight Line Over Life of Lease - 122 Years
Fixtures and Machinery	4% - 33% on Cost
TV Rental Sets	20% on Cost

In the opinion of the Directors, the residual value of freehold property is at least equal to cost, if not greater, because of the company's policy to fully maintain such property. The Directors have based their estimate of residual value on prices prevailing at the time of acquisition or revaluation. As a result, any depreciation charge would not be material and therefore no depreciation is charged on freehold property in these Financial Statements.

Taxation

The charge for taxation is based on the result for the year at the appropriate rate and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future.

Stocks

Stocks are valued at the lower of cost and net realisable value, on a first in first out basis, at selling price less an appropriate margin and VAT. This is not significantly different from cost.

Investments

Investments are valued at cost unless, in the opinion of the Directors there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Leases and Hire Purchase

Assets acquired under finance leases and the Hire Purchase agreements are capitalised at their attributable cost and depreciated on the same basis as equivalent owned assets. Interest, being the excess of instalments payable over attributable cost, is written off to the Profit and Loss Account in equal instalments over the term of the agreement.

Payments under operating leases are charged to the Profit and Loss Account over the period of the lease.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

1 Accounting Policies (Continued)

Pension Scheme

The Company contributes to a defined contribution pension scheme. The amount of contributions are charged to the Profit and Loss Account in the year of payment. At the Balance Sheet date, no amounts were due or prepaid.

2 <u>Other External Costs</u>	<u>1998</u>	<u>1997</u>
	£	£
Includes:		
Hire of Plant, Machinery and Vehicles	57366	60520
Auditors' Remuneration	7600	7300
Property Rental	22312	16157
Loss/(Profit) on Disposal of Fixed Assets	5770	(2735)
	<hr/>	<hr/>

3 <u>Staff Numbers and Costs (Including Directors)</u>	<u>1998</u>	<u>1997</u>
	<u>Number</u>	<u>Number</u>
Average Number of Employees (Full & Part Time)		
Selling and Distribution	71	67
Administration	13	13
	<hr/>	<hr/>
	84	80
	<hr/>	<hr/>
	<u>1998</u>	<u>1997</u>
	£	£
Gross Wages	599004	542646
Employers National Insurance Contributions	41119	35010
Company Pension Costs	22184	24149
	<hr/>	<hr/>
	662307	601805
	<hr/>	<hr/>

4 <u>Directors' Emoluments</u>	<u>1998</u>	<u>1997</u>
	£	£
<u>Paid by Company</u>		
Salary and Benefits	36983	46666
Pension Contributions	6705	8107
<u>Paid by Parent Undertaking</u>		
Salary and Benefits	32960	47500
	<hr/>	<hr/>
	76648	102273
	<hr/>	<hr/>

There are two Directors' accruing benefits under a Money Purchase Pension Scheme.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

5	<u>Interest Receivable</u>	<u>1998</u> £	<u>1997</u> £
	Interest on Rates Refund	1644	-
	Debenture Interest (Unlisted)	297	297
	Deposit Interest	6	2095
		<u>1947</u>	<u>2392</u>
6	<u>Interest Payable</u>	<u>1998</u> £	<u>1997</u> £
	On Bank Loans and Overdrafts	35942	29593
	On Other Loans	2538	4568
		<u>38480</u>	<u>34161</u>
7	<u>Exceptional Item</u>	<u>1998</u> £	<u>1997</u> £
	Profit Realised on Sale of Freehold Property	-	136959
	Write Back of Share of Subsidiary Loss	19703	-
	Provision against Subsidiary Loan Account	(209383)	-
		<u>(189680)</u>	<u>136959</u>
<p>There are no taxation effects relating to the provision against the subsidiary inter-company loan account and the write back of the subsidiary loss.</p>			
8	<u>Taxation on (Loss)/Profit on Ordinary Activities</u>	<u>1998</u> £	<u>1997</u> £
	Taxation Charge for the Year @ 21% (1997 22.2%)	-	15306
	Under/(Over) Provision in Previous Year	816	(26)
	Transfer from Deferred Taxation Account	(5317)	(3847)
	Franked Investment Income Tax Credit	-	345
		<u>(4501)</u>	<u>11778</u>

Due to the availability of group relief, tax losses have been surrendered to Hatcher & Sons Limited by the subsidiary undertaking. No payment will be made for the losses surrendered.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

9	<u>Dividends Paid</u>			1998 £	1997 £
	Preference Shares 3.5%			865	865
10	<u>Tangible Assets</u>				
		Freehold Property £	Long Leasehold Property £	Fixtures and Machinery £	Total £
	Cost				
	At 1 November 1997	663977	161440	672213	1497630
	Additions	-	-	108285	108285
	Disposals	-	-	(113670)	(113670)
	At 31 October 1998	663977	161440	666828	1492245
	Accumulated Depreciation				
	At 1 November 1997	-	755	352396	353151
	Provided in Year	-	1264	94561	95825
	Eliminated on Disposals	-	-	(88498)	(88498)
	At 31 October 1998	-	2019	358459	360478
	Net Book Value				
	At 31 October 1998	663977	159421	308369	1131767
	At 1 November 1997	663977	160685	319817	1144479
11	<u>Investments</u>				
			Unlisted Debentures £	Unlisted Shares £	Total £
	Cost				
	At 1 November 1997 and 31 October 1998		5930	2390	8320

The Directors are of the opinion that the market value of these investments are not significantly different from cost.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

12	<u>Shares in Group Undertakings</u>	<u>1998</u> £	<u>1997</u> £
	Cost		
	As at 1 November 1997 and 31 October 1998	2	2
		—	—
	Provisions		
	As at 1 November 1997 and 31 October 1998	2	2
		—	—
	Net Book Value		
	As at 1 November 1997 and 31 October 1998	-	-
		—	—

The Company owns 100% of the issued ordinary share capital of its subsidiary Sovereign TV Limited, whose relevant details at 31 October 1998 are as follows:

	<u>1998</u> £
Loss for the Financial Year	(101992)
	—
Capital and Reserves	(111870)
	—

13	<u>Stocks</u>	<u>1998</u> £	<u>1997</u> £
	Goods for Resale	1271469	1382563
	Sundry Stocks	13153	15485
		—	—
		1284622	1398048
		—	—

14	<u>Debtors</u>	<u>1998</u> £	<u>1997</u> £
	Trade Debtors	59729	77984
	Amounts Owed by Parent Undertaking	124768	65531
	Amounts Owed by Subsidiary Undertaking	32610	332082
	Other Debtors	40747	-
	Prepayments and Accrued Income	43289	30883
	Corporation Tax	302	-
	Advanced Corporation Tax	216	-
		—	—
		301661	506480
		—	—

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

15	<u>Creditors: Amounts Falling Due Within One Year</u>	<u>1998</u>	<u>1997</u>
		£	£
	Mortgage on Freehold Property	14000	14000
	Bank Overdraft and Loans	840473	724059
	Trade Creditors	425207	635972
	Corporation Tax	-	14783
	Taxation and Social Security	16362	13063
	Other Creditors	-	863
	Accruals and Deferred Income	73209	121886
		<u>1369251</u>	<u>1524626</u>

16	<u>Creditors: Amounts Falling Due After More Than One Year</u>	<u>1998</u>	<u>1997</u>
		£	£
	Mortgage on Freehold Property	-	14000
	Bank Loans	71750	35750
		<u>71750</u>	<u>49750</u>

- a) The mortgage on freehold property is secured by a first charge on the Company's freehold property assets.
- b) The bank overdraft is secured by a second charge on the Company's freehold property and a full fixed and floating charge on the remainder of the Company's assets.
- c) The bank loans are secured by a second legal charge over the Company's freehold property.

17	<u>Provisions for Liabilities and Charges</u>	<u>1998</u>	<u>1997</u>
		£	£
	Deferred Taxation (See Below)	-	5317
	Deficiency of Net Assets of Subsidiary	-	19703
		<u>-</u>	<u>25020</u>

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

17	<u>Provisions for Liabilities and Charges (Continued)</u>	<u>1998</u> £	<u>1997</u> £
	Deferred Taxation		
	Provision at 1 November 1997	5317	9164
	Movement in Year	(5317)	(2701)
	Movement as a Result in Change in Tax Rate	-	(1146)
		<hr/>	<hr/>
	Provision at 31 October 1998	-	5317
		<hr/>	<hr/>
	The Provision Relates to:		
	Accelerated Capital Allowances	-	11617
	Other Short Term Timing Differences	-	(6300)
		<hr/>	<hr/>
		-	5317
		<hr/>	<hr/>
	There is no unprovided deferred taxation.		
18	<u>Called Up Share Capital</u>	<u>1998</u> £	<u>1997</u> £
	Authorised		
	39000 Cumulative Preference Shares of 70p Each	27300	27300
	134000 Ordinary Shares of 75p Each	100500	100500
	30627 'A' Ordinary Shares of 75p Each	22970	22970
		<hr/>	<hr/>
		150770	150770
		<hr/>	<hr/>
	Allotted, Called Up and Fully Paid		
	35310 Cumulative Preference Shares of 70p Each	24717	24717
	122507 Ordinary Shares of 75p Each	91880	91880
	30627 'A' Ordinary Shares of 75p Each	22970	22970
		<hr/>	<hr/>
		139567	139567
		<hr/>	<hr/>

The preference shares are entitled to a cumulative preferential dividend at the rate of 3.5% per annum, and in a winding up, to a repayment of the amounts paid or credited as paid, together with any arrears of dividend.

The 'A' ordinary shares carry a right to receive a dividend in priority to the ordinary shares.

All shares have equal voting rights.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

19 Shareholders' Funds

	Share Capital £	Share Premium Account £	Profit and Loss Account £	1998 Total £	1997 Total £
At 1 November 1997	139567	20381	1299793	1459741	1273081
Retained (Loss)/Profit for Year	-	-	(172115)	(172115)	186660
At 31 October 1998	139567	20381	1127678	1287626	1459741
Equity				1262909	1435024
Non Equity				24717	24717
				1287626	1459741

20 Operating Lease Commitments

The Company is committed to making the following payments in the coming year in respect of operating lease contracts which expire as follows:

	1998 £	1997 £
0 - 1 Years: Land and Buildings	6000	10571
Other	51907	58079
2 - 5 Years: Other	5497	4883
	63404	73533

21 Ultimate Parent Undertaking and Controlling Party

The Ultimate Parent Undertaking is Hovelands Limited, registered in England and Wales.

The Company is controlled by its Directors.

22 Contingent Liabilities

The Company has given an unlimited guarantee to the bank in respect of its subsidiary undertaking, Sovereign TV Limited. At the year end the subsidiary's indebtedness was £439.

The Company has guaranteed the lease in respect of two of the subsidiary undertaking's branches, the annual rent for which is £60850.

HATCHER & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1998

23 Transactions with Related Parties

During the year the Company (paid)/received the following amounts (to)/from Hovelands Limited, its parent undertaking, for the following services:

	<u>1998</u>	<u>1997</u>
	£	£
Management Services	(32960)	(82980)
Cleaning and Vehicle Rental	(86417)	(84775)
Commission on Restaurant Sales	68336	62449
	<hr/>	<hr/>

During the year the Company received the following amounts from Sovereign TV Limited, its subsidiary undertaking, for the following services:

	<u>1998</u>	<u>1997</u>
	£	£
Management Services	10000	8400
Delivery Services	15000	15000
	<hr/>	<hr/>

At 31 October 1998 a provision was made against the amount owed by Sovereign TV Limited. This amounted to £209383.

A M Hill and R C Raisey, Directors of the Company, have given the following personal guarantees in respect of Hatcher & Sons Limited.

- a) £130000 guarantee to the Royal Bank of Scotland.
- b) Joint and Several Guarantee to CIH Limited. The amount owed to CIH Limited at the year end was £96529.

24 Post Balance Sheet Events

Since the 31 October 1998 the Company's subsidiary undertaking, Sovereign TV Limited has gone into liquidation.

The amount owing to Hatcher and Sons Limited by its subsidiary undertaking at 31 October 1998 has been provided against at this date to the extent that it is not recoverable.

Two of the subsidiary undertaking's leases have been assigned to Hatcher & Sons Limited since the 31 October 1998 and the two shops have continued to trade through Hatcher & Sons Limited.

It is not practical to make an estimate of the financial effect to the Company of the addition of these two shops.